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HIGHWAY PATROL OFFICERS' RETIREMENT SYSTEM MEMBER HANDBOOK

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Lucie Willson ..... Administrative Officer

Contact us at:

1712 NINTH AVENUE
P.O. BOX 200131
HELENA, MT 59620-0131
Phone: 406-444-3154
Toll Free: 877-275-7372
E-mail: mpera@state.mt.us

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Preface

This *Highway Patrol Officers' Retirement System Member Handbook* is a general summary of the benefits provided by the Highway Patrol Officers' Retirement System (HPORS). It is intended to give you a general idea of your benefits and to acquaint you with the HPORS. Every effort has been made to ensure the contents agree with the law and rules. The law and its interpretation can change, so this handbook may be out-of-date a few years after it is published. This handbook is not a final source of the law and rules. IT SHOULD NOT BE TAKEN AS FINAL LEGAL AUTHORITY. Information in this handbook is based on 1999 law. Benefits are based on the law in effect at the time of your termination from employment; thus, some information found here may not apply in specific cases. If this handbook differs with law or rules as the Board interprets them, the law or rules will apply. This handbook replaces all previous HPORS member handbooks.

Montana Code

The law governing the HPORS may be found in Title 19, Chapters 2 and 6, Montana Code Annotated (MCA). MCA is available on line at: leg.state.mt.us/services/legal/laws.htm

References to the pertinent sections of MCA and Administrative Rules of Montana (ARM) are provided in parenthesis throughout this publication.

Introduction

Retirement Security for our Members Since 1971

The Highway Patrol Officers' Retirement System (HPORS) is a public pension plan for Montana highway patrol officers, including supervisory personnel. In 1971, the Legislature created the HPORS to grant a retirement, disability, or death benefit to plan members and their beneficiaries. As of June 30, 1999, membership of the HPORS consisted of the following:

HPORS Membership

Number of participating employers	1
Active plan members	186
Inactive plan members entitled to but not yet receiving benefits or a refund:	
Vested	7
Non-vested	25
Retirees and beneficiaries receiving benefits:	
Service Retirements	236
Disability Retirements	7
Survivor Benefits	11

The Public Employees' Retirement Board (PERB) is an independent, seven-member board, appointed by the Governor to administer the HPORS and seven other retirement systems. The Montana Public Employee Retirement Administration (MPERA) does the day-to-day work. This handbook uses the terms "we," "us," the MPERA, and Board interchangeably.

Money that you pay into the HPORS earns interest and helps pay for your benefits. At the MPERA, we keep track of your money in your own account and credit your account with interest. We

combine the funds from all accounts in a trust fund, which the Board of Investments invests. Income earned from investing the trust fund goes back into the trust fund. Only the Board may authorize payment from the trust fund. Current law limits payments to benefits and refunds for members or their survivors. In addition, the Board must pay administrative expenses from the investment earnings. (§19-2-408 and 19-2-505, MCA)

Every two years, an actuary must rate the trust fund's capability to pay the benefits earned by members. Based on the fund's strength and the actuary's advice, the Board may initiate increases in benefits. Benefits are set by law, and only the Legislature may change them. Before each legislative session, the Board will review the sufficiency of the benefits and advise the Legislature. (§19-2-405, MCA)

HPORS is a defined benefit retirement system. The benefits you receive are based on your years of service and your final average compensation rather than the amount of money you contribute and the interest which accrues to your account

Section I: Membership

1. Membership Enrollment

Membership is mandatory for all Montana highway patrol officers, including supervisory personnel. Membership service will begin for an individual on the first day of employment in an HPORS-covered position. (§ 19-6-301, MCA)

Membership Cards

New employees must complete a membership card upon starting work in a job covered by the HPORS. Your payroll clerk should provide you with this card on your first day of work. Complete the card and return it to the clerk who will send it to us. The information on it is necessary to administer your retirement. (ARM 2.43.402)

The HPORS will not pay a benefit or refund unless you have a membership card on file with us. A membership card is a vital record; you must keep it up-to-date. Update the card whenever any of the information on the card changes. To update your information, complete a new card and give it to your payroll clerk. The payroll clerk must send it to us. Marriage, divorce, births of children, and death of a beneficiary are reasons to update your card.

NOTE: The membership card allows you to list one or more beneficiaries in addition to your spouse and dependent children. Your spouse or dependent children are your beneficiaries under law. A beneficiary may be named in the event of your death without leaving a "statutory" beneficiary. The beneficiary is eligible to receive any balance in a member's account but does not receive monthly benefits. (See page 25 for information on death benefits.)

2. Contributions

Contributions to the HPORS come from you and your employer, the state of Montana. The following is an explanation of contributions to the HPORS and what is expected of you and your employer.

Member Contributions

All members must pay part of their gross pay to the HPORS in the amount explained below: (§ 19-6-402, MCA)

- Members not covered under the Guaranteed Annual Benefit Adjustment (GABA) (see pages 28-29 for an explanation of the GABA), pay 9%.
- Members covered under the GABA pay 9.05%.

Interest: Your HPORS account earns interest and we add it to your account each month. Currently, the interest rate is 5%, compounded annually. Each year the Board sets the rate based on trends and interest rates earned by short term U.S. Treasury notes and bills.

The interest credited to your account will not affect the amount of your monthly retirement benefit. If you end your HPORS-covered employment and leave your money on account, it will continue to collect interest.

Tax-Deferred: Since July 1985, the money you contribute to the HPORS is tax-deferred. The interest your account earns has always been tax-deferred. This means you don't pay state and federal taxes until you receive the money as a benefit or refund. Any money you paid to the HPORS before July 1985 was taxed. In other words, you paid the taxes before you paid the money to

the HPORS. If you have taxed money in your account when you retire or take a lump sum refund, then some of your refund or monthly benefit will be tax exempt.

Purchase of Service: When purchasing refunded service and other types of optional service, you may contribute amounts beyond your regular contributions. These additional payments are tax-deferred if you authorize payment by payroll deduction contract. If these contributions are not made through payroll deduction, they are not tax-deferred. You will receive interest on service purchase payments at the same rate you receive interest on your regular contributions. All interest paid to a member's account is tax-deferred. (§19-2-704, MCA)

Employer Contributions

The state of Montana annually contributes an amount equal to 36.33% of the total HPORS-covered payroll to the pension trust fund. Employer contributions are not refundable and provide "pooled" funds for retirement, disability, and death benefits. (§ 19-6-404, MCA)

Refund of Contributions

Vested members who end HPORS-covered employment may leave their money on account; it will continue to earn interest. They may also receive a refund of the money in their account in lieu of other benefits. To request a refund, you must complete an application, which your employer will supply. The application has two parts, one for the member, and one for the employer. You must complete the member section, then give it to your employer. Your employer will complete the application and send it to us. If you have been inactive for more than three months, you should contact us directly to apply for a refund. (§19-2-602, MCA)

If you are not a vested member (less than five years of membership service) at the time you terminate service and have less than $5,000 in accumulated contributions (your contributions plus interest), you must request a lump sum refund. You may also make a written application to have your eligible contributions rolled over to a qualified retirement plan. Inactive nonvested members who have more than $5,000 in accumulated contributions may leave their money on account and it will continue to earn interest. However, they are eligible only for a refund of the member's accumulated contributions and will have no right to any form of HPORS benefit. (19-2-602 and 19-6-403, MCA)

When you receive a refund, you are no longer a member of the HPORS. You will have no right to any form of HPORS benefit.

Processing Refund: We cannot process your refund before your employer sends us the application and the final payroll information. This process may take 6 to 8 weeks from the date you get your last paycheck. Extending your last day of work into a new pay period or month may increase the processing time.

If, after receiving a refund, you accept a HPORS-covered job, you must again become a member. We will consider you a new member without credit for the refunded service. You may purchase the refunded service to reinstate it for credit. For more details, see Purchase of Service, on page 13. (§19-2-603, MCA)

NOTE: If you receive your refund directly, the IRS requires us to withhold 20% for tax purposes. The IRS may also charge you an additional 10% penalty for early withdrawal. For more information see taxes on refunds, on page 30.

3. Service

The amount of time you work and contribute to the HPORS affects the amount of your retirement benefit. The monthly benefit you receive will depend on the number of years you work in a HPORS-covered job, whether you work full- or part-time, and your purchase of additional service.

Membership Service

We use membership service to determine if you are eligible for vesting, retirement, or other HPORS benefits. You vest for retirement after you accrue five years of membership service. Once vested, you are entitled to benefits if otherwise eligible. You earn membership service for all periods of service, whatever the hours you work or the pay you receive. (§19-2-303 and 19-2-702, MCA)

Service Credit

Service credit is used to calculate the amount of your retirement benefit. You accumulate one month service credit for each month your employer reports you were compensated for at least 160 hours of service. A member compensated for less than 160 hours for any month will receive proportional service credit. (For example, if you were paid for 80 hours during a given month, you earn 0.5 months of service credit.) (§19-2-701, MCA and ARM 2.43.406-410)

The following full-time requirements are used when computing a HPORS member's service credits:

Until 6/30/75	2000 hours/year	= 12 months service credit
7/1/75 - 8/30/86	100 hours/month	= 1 month service credit
9/1/86 - 6/30/87	160 hours/month	= 1 month service credit
7/1/87 - 6/30/90	140 hours/month	= 1 month service credit
7/1/90 - present	160 hours/month	= 1 month service credit

Part-time Service

Upon retirement, the PERB will adjust either your service credit or final average compensation if you work part-time. We will adjust one or the other to prevent a double reduction of your benefit. If you retire with a full-time salary, then we will not adjust your part-time service credits to calculate your benefit. You will not see the adjustment until retirement.

Purchase of Service

Eligible members may purchase various types of service (see pages 14 and 15). Contact us for complete details about your eligibility. **A written request to initiate the cost statement is required.**

To request a cost statement to purchase service, you must first write to us and provide the following information: your full name (including any former names), a current address, Social Security Number, and the type of service you wish to buy. You should also send us any documents that relate to the service. Your former employer can usually provide you copies of relevant documents. We will review the request and send you a cost statement for buying any service for which you are eligible. (ARM 2.43.428)

You must pay the lump-sum cost or start monthly payments within 30 days. After 30 days, the cost statement is not valid and you must contact us for an updated cost statement. Only the MPERA can give you a cost statement. A cost statement from any other source may not be used.

Payment for Purchase: You may pay for a service purchase in one lump-sum, or you may make monthly payments. Active members can make monthly payments by tax-deferred payroll deduction. Inactive vested members, members not paid monthly, or members who wish to self-pay, may send payments directly to

the MPERA. (These payments are not tax-deferred.) If you fail to make a regular monthly payment, you give up the right to make any more payments. Your service purchase will be pro-rated. We will track your monthly payments in an additional contribution account until the service purchase is complete. Then we will transfer the money to your regular account and credit your account with the service. Vested members may purchase most types of service at any time before retirement. Be aware that any delay may increase the cost because of added interest or higher salaries. If the service purchase is not completed before the member retires, the service credit will be pro-rated; or, the member can make a lump sum payment to complete the service purchase. (§ 19-2-704, MCA)

Service Which May Be Purchased:

1. **Refund**: If you received a refund for previous service, you may buy this refunded service. Refunded service means you terminated your job, and the HPORS paid you the contributions and interest in your account. To buy the refund, you must repay the contributions and interest you received as a refund. You must also pay the interest the contributions would have earned if you had left it on deposit. (§ 19-2-602, MCA, and ARM 2.43.420 and 2.43.422)

2. **Montana Public Service**: Members may also buy service refunded from other Montana statewide retirement systems. If the member is an inactive member of another system, the service and contributions may be transferred directly into the HPORS. Contact us in writing for eligibility and a cost statement. (§ 19-6-802, MCA; ARM 2.43.420 and 2.43.422)

3. **Other Montana Public Service**: A member may purchase service credit for other full-time public service performed for the state or a political subdivision, if the service is not credited in any other retirement system. (§ 19-6-802, MCA)

4. Military: You may buy up to five years of active military service, if you have at least 15 years of membership service. A member may purchase one year of military service for each year of HPORS service credit in excess of 15 years (e.g., a member with 16 years and seven months of service credit may purchase up to one year and seven months of military service). Military service purchased by a member will be used for the purpose of calculating retirement benefits. If you have retired and are receiving a retirement from the military, you may not buy that military service. (§19-6-801, MCA; ARM 2.43.437)

5. Out-of-State Law Enforcement Service: A member with five years or more of membership service may purchase one year of out-of-state law enforcement employment for each year of service credit, up to a maximum of five years. If you will receive a retirement benefit for this out-of-state law enforcement employment, you may not purchase the service. (§19-6-803, MCA)

Note: This service may not be used as membership service to allow a member to purchase military service. Also, it cannot be used in calculating a member's retirement benefit unless the last five years of service credit were earned in an HPORS-covered position.

6. Absence Due to Illness or Injury: Time, not to exceed five years, that a member is absent from work due to a work-related illness or injury, is considered membership service. If the member pays the contributions and interest, the absence will also count as service credit. The Board must decide the injury was work-related within one year of the member's return to work. Members lose the right to contribute for the absence if they received a refund of their account during the absence. (§ 19-6-810, MCA)

7. Additional Service ("1-for-5") Purchase: For each five-year period of membership service, you may buy one year of additional service. You may buy no more than five years of additional service. Additional service is not membership service and can not make you eligible to retire. We will include all service credit when calculating the amount of your retirement benefit. (§ 19-6-804,MCA; ARM 2:43.432)

Limitations: Current law limits your purchase of military, out-of-state law enforcement, and additional service, to a combined total of five years. For example, suppose you had 20 years of state service, two years of out-of-state law enforcement service, and three years of military service. Without any limit, you would be eligible to buy nine years: four years of additional, two years of out-of-state law enforcement service, and three years of military. However, current law limits you to only five years, but it can be any combination of the above service. (§ 19-6-803[5])

Personal Statement

Each August the MPERA will send you a statement with information concerning your retirement account. If you have part-time service, the total service reported in your statement may seem wrong. The service reflects the service reported by your employer. When your employer reports you worked less than 160 hours, the system gives you less than one month of service credit. Adjustments for part-time service will be made when you retire. We adjust your service to prevent a double reduction of your benefit for part-time service. However, if you work full-time somewhere else, then your final average compensation may be based on that full-time service. When your final average compensation is based on full-time service, we don't adjust your part-time service.

Carefully review the statement to verify all the information is correct. If you have corrections or changes to any of the personal information make a copy of the statement with the corrections and mail it to the MPERA. Submit any questions concerning account information as it appears in your statement to the MPERA in writing.

NOTE:
We will correct mistakes in your account or service when we identify them, or at least before your benefit is final. Mistakes will not bind the MPERA to pay a benefit for which you are not eligible. If you think the service credit on your statement is wrong, please inform us in writing. Provide specific information, including your current address.

Section II: Benefits

To receive retirement benefits under the HPORS defined benefit plan, you must fulfill certain age and service requirements. Retirement benefits are payable directly to you.

1. Qualifying for Benefits

Vesting

When you complete five years of **membership service** (explained on page 12), you become a vested member. Once vested, the HPORS guarantees you a retirement benefit after you reach the minimum age or service requirement.

Active Members

Remember . . .
Once you withdraw the money from your account, your membership ends. You lose your right to any benefits from the HPORS.

You are an active member if you are in a HPORS-covered job and making the required contributions to the system. If you are an active vested member, you may terminate your HPORS-covered employment and leave your contributions in the HPORS. You may apply for monthly retirement benefits when you are at least age 50 or early retirement benefits at an actuarially reduced amount. (See page 19-21 for calculation of service retirement benefits.) You could also take a refund of your account, rather than a retirement benefit. When you withdraw your account, you give up all vested rights. In other words, once you cash your refund check, you are not eligible for a monthly retirement benefit. (§ 19-6-503, MCA and ARM 2.43.603)

Inactive Vested Members

A member does not need to be an active member to be vested. You become an inactive vested member when you end HPORS-covered employment and do not withdraw your HPORS account. Inactive vested members may buy any service for which they are eligible. Inactive vested members may apply for retirement after they meet the minimum age requirement. You give up your vested right to retirement benefits by taking a refund of your account. (§ 19-6-301, MCA)

Non-Vested Members

If you quit your job before you vest, you may not continue to buy service. You will not be eligible for a retirement benefit. However, you are eligible for a refund of the money in your account. The HPORS will pay you interest until you receive the refund. See page ten for information on refunds. (§ 19-6-301, MCA)

2. Service Retirement

HPORS members are eligible to receive benefits upon meeting certain requirements. The HPORS defined benefit plan provides benefits for members as outlined on the following pages.

Service Retirement

Highway Patrol Officers who were members of the HPORS on or before July 1, 1985, are eligible to retire after they have accumulated 20 years or more of membership service. Officers who became members of the system after July 1, 1985, are eligible to retire after they have accumulated 20 years of membership service and reached age 50. (§ 19-6-501, MCA)

As stated earlier, the HPORS is a defined benefit plan. Defined benefit plans use a set or defined formula to calculate your benefit. The HPORS retirement benefit is based on the average of any continuous 36 months of salary. The basic formula for monthly service retirement benefit in the HPORS is: (§ 19-6-502, MCA)

2.5% x years of service credit x Final Average Salary (FAS)

An explanation of the factors follows:

(A) Your **years of service credit** is the amount of full time service you earned (see page 12)

(B) **.025 (2.5%)** is a factor that determines how much of your final average compensation you get for each year of service credit.

(C) **FAS** is the average of any continuous 36 months of salary. Add your highest continuous 36 months of salary and divide by 36 to get the average monthly salary.

Use these factors to quickly estimate your monthly benefit:

(A) Years of Service Credit		_____
(B) Factor	x	.025
(C) Final Average Salary (FAS)	x	_____
Monthly Benefit	=	_____

Service Retirement Sample Calculation

Kenny Retire, Age 45
Service Credit ..... 20 years
Final Average Salary (FAS) ..... $3,000 per month
Account Balance at Retirement $35,450

Benefit Formula: 2.5% x Service Credit (years) x FAS

.025 x 20 x $3,000 = $1,500

Officer Kenny became a member of the HPORS prior to July 1, 1985. He can receive his full service retirement before age 50 since he has accumulated 20 years of membership service. A benefit of at least $1,500 is guaranteed to Kenny for the remainder of his life. Upon his death, a monthly benefit equal to the amount of Kenny's benefit will continue to his surviving spouse, if there is one, for the remainder of her life. In the absence of a surviving spouse, the benefit would continue to a dependent child (or children, collectively) until there is no unmarried dependent child. A dependent child is a child under the age of 18 years or unmarried, under 24 years of age, and attending an accredited postsecondary educational institution as a full-time student.

In the absence of a surviving spouse or dependent child, and if Kenny had not received benefits equal to at least $35,450 by the time of his death, his designated beneficiary would receive a lump sum payment of any balance in his account. (See pages 25-26 for an explanation of Death Benefits.)

Note: If Officer Kenny became a member of HPORS after July 1, 1985, he would have to wait until age 50 to receive his full service retirement benefit. He could also receive an early retirement benefit as explained on the next page.

Early Retirement

Under certain circumstance, a member may be eligible for an early retirement benefit. To be eligible for an early retirement benefit, a member must have at least five years of membership service and have been discontinued from service, other than for cause. Early retirement benefits are reduced by a factor determined by the number of years the retiree's age is under 60. See the example below using the early retirement factor to calculate the monthly retirement benefit.

Early Retirement Sample Calculation

Wanda Retire, Age at Termination 50
Service Credit ..... 15 years
Final Average Salary (FAS)..... $2,500 per month
Account Balance at Retirement $25,495

Wanda became a member of the HPORS after July 1, 1985. To be eligible for retirement benefits, she would have to be 50 years of age and have 20 years of service credit.

Since Wanda has only 15 years of service credit, she could receive an early retirement benefit beginning immediately. It would be calculated as follows using an early retirement factor:

2.5% x years of service credit x FAS x Early Retirement Factor
.025 x 15 x $2,500 x .52 = $ 487.50 per month

Her benefit at age 55 would be:

.025 x 15 x $2,500 x .70 = $656.25 per month

At age 60, Wanda's retirement benefit would not be reduced by an early retirement factor. Her benefit would be calculated as follows:

.025 x 15 x $2,500 = $937.50 per month

Survivor and beneficiary benefits would be paid for an early retirement benefit as explained on page 20 for a service retirement.

3. Disability Retirement

A member suffering a disability is entitled to a disability retirement benefit. The disability does not have to be work-related but the disability must occur while the member was employed in an HPORS-covered position. The monthly disability retirement benefit will begin on the day following the member's termination from service. (§ 19-2-303 and 19-6-601, MCA)

Disability Benefit

A member who is disabled as a direct result of any service to the Montana Highway Patrol will receive a disability retirement benefit equal to one-half the member's final average salary. If the disability is not as a direct result of service for the Montana Highway Patrol, the member will receive a disability retirement benefit. This benefit is based on the actuarial equivalent of the accrued service retirement benefit when the disability occurred. (§ 19-6-601, MCA)

Disability Reviews

Periodic reviews are performed to decide if the member still qualifies for disability retirement.

At its discretion, the Board may review the medical condition of any member receiving a disability. Periodic reviews are performed to decide if the member still qualifies for disability retirement. The Board may require the recipient of a disability retirement benefit to undergo a medical examination. The expense of the examination will be paid by the Board. If the Board determines the recipient is no longer disabled, the officer must be reinstated to the position held immediately before retirement, or to a position with comparable pay and benefits. (§ 19-6-612, MCA)

Benefit Cancellation

The Board must cancel a member's disability retirement in the following cases: (§ 19-6-612, MCA)

- ❑ The member is no longer totally disabled and is offered a position with the Montana highway patrol; or
- ❑ The retiree refuses to submit to a medical examination.

Upon notification of an officer's eligibility to return to work, the employer may request a medical or psychological review of the member's ability to return to work. (§ 19-6-612, MCA)

Payment of Benefit

Unless canceled by the Board for reasons described above, the disability benefit will be paid to the disabled officer for the rest of his life. Upon the disabled officer's death, the benefit will be paid to the surviving spouse or dependent child. This is the same as provided for under a service retirement benefit. (See Death Benefits on the following page.) (§ 19-6-601 and 19-6-505 [2] and [3], MCA)

Section III: Additional Information

1. Death Benefits

Beneficiaries

Upon your death, your surviving spouse (the person married to you at the time of your death) or, your surviving dependent children (if you have no surviving spouse) are the beneficiaries of your retirement benefit. In the absence of a surviving spouse, the benefit will continue collectively to dependent children, until there are no dependent children. A dependent child is one under the age of 18 years or unmarried, under 24 years of age, and attending an accredited postsecondary educational institution as a full-time student. (§ 19-6-505, MCA)

Keep your designation of beneficiaries current. You may change your beneficiaries only by completing a new membership card.

You may also designate one or more beneficiaries when filling out your HPORS membership card. If you leave no surviving spouse or dependent child, at the time of your death your designated beneficiary would be eligible to receive any balance in your account. A beneficiary designated may be any person, charitable organization, or trust you wish to name. You must designate beneficiaries on a HPORS membership card and give the card to your payroll clerk. The clerk will send the card to us. You may name new beneficiaries by sending us a new membership card. If you are an inactive member, contact us and we will send you a new card. (§ 19-2-801 and 19-2-802, and 19-6-505, MCA)

NOTE: Advise your beneficiary to contact the MPERA for complete details about benefits upon your death.

Death Benefit Claim - Active or Inactive Member

Upon notification of a member's death, we will send a death benefit claim form to the beneficiary. To make a claim for a death benefit, the beneficiary must return the form to the Board along with written proof of the member's death. A copy of the death certificate is the best document to send.

Death After Retirement

Your retirement benefit will continue to be paid to your spouse upon your death. If there is no surviving spouse, or upon the death of the surviving spouse, the benefit will continue to be paid to your surviving dependent children. If there is no surviving spouse or dependent child, your designated beneficiary will receive your remaining account balance. Your remaining account balance is your contributions plus interest to date of retirement minus any retirement benefit payments you received. If there is no beneficiary to receive the benefit, the amount will be paid to your estate. (19-6-505, MCA)

Death Prior to Retirement

Upon the death of a member before retirement, the member's surviving spouse, or dependent child, if there is no surviving spouse, will receive benefits or a refund as stated below:

- ❑ If the member dies as a direct result of injury received in the course of employment, the benefit must equal 50% of the final average salary of the member.

- If the member's death is not the result of an injury received in the course of employment, the survivorship benefit is the actuarial equivalent of the early retirement benefit. (See page 22.) (§ 19-6-901 and 19-6-902, MCA)

If the member has or leaves no surviving spouse or dependent child, the designated beneficiary will receive the remaining account balance. The amount will be paid to the deceased member's estate in the absence of a designated beneficiary.

2. Benefit Increases

Minimum Retirement Benefit Increases

A minimum monthly benefit is provided for members (or survivors) not covered under the Guaranteed Annual Benefit Adjustment (GABA) and who are eligible as follows:

- ❑ a retired officer aged 55 or older who is not currently employed in a position covered by another Montana public retirement system; or
- ❑ a retired officer who is receiving a disability retirement benefit; or
- ❑ a recipient of a survivorship benefit.

The minimum amount payable to eligible recipients each year will be: 2% x Years of Service Credit x Current Base Salary of a probationary highway patrol officer. The maximum monthly benefit paid may not exceed 60% of the current base compensation of a probationary highway patrol officer. The annual increase also may not exceed 5% of the current monthly benefit paid to the retirement member or survivor. (§ 19-6-707, MCA)

GABA

Officers who were active members of the HPORS before July 1, 1997, could choose to be covered under the GABA. Members who chose to be covered under the GABA and those who became active members on or after July 1, 1997, will receive retirement benefit increases under the GABA. (§ 19-6-710, MCA)

The GABA insures a **minimum** increase of 1½% over the previous year. Other increases to your benefit will reduce the amount you get from the GABA. If the other increases are

1½% or more, then you will get no increase from GABA. (§19-6-710, MCA)

The GABA applies to:

- Service Retirement
- Disability Retirement
- Survivorship Benefit

Eligibility for GABA Benefits

You must meet some conditions before you will get a raise under the GABA. You must receive your benefit for at least 36 months. For example, if you retired on July 1, 1997, you will meet the 36-month requirement on July 1, 2000. You won't receive your first GABA benefit adjustment until January 1, 2001, as explained below.

You will not receive a GABA increase if you work in a job covered by any other state retirement plan.

Effective Date of GABA Benefits

We will apply the GABA increase to your benefit on January first of each year. The monthly increase will begin with your January benefit payment which we will mail to you on the last working day of January.

NOTE:
If you get your benefit by direct deposit to your bank, the transfer takes place on the last working day of January. However, your bank may not add the transfer to your account until the next working day. With direct deposit, you receive your money one or two days sooner than with a paper check through the mail.

3. Taxes on Benefits

Some or all of your retirement benefit will be subject to federal and state income taxes. You must pay taxes on any part of your benefit that was not taxed during your working career. You paid income tax on any money you contributed before July 1, 1985. Also, you paid the tax on any additional contributions you paid through payroll deductions to buy service before the year 2000. You have not paid taxes on the money you have contributed since July 1, 1985. Nor have you paid taxes on the interest your account earns. If some of your benefit comes from tax-deferred money, you must pay taxes on that part.

Tax Statements

Each year we will send you a Distributions Form (Federal Form 1099R). The 1099R is similar to a W-2 Form. We send the form to all people who receive any payment from the HPORS, not just the member. The 1099R will show the gross taxable amount you received during the past calendar year. This form will also show any state or federal taxes withheld during the year. We base withholding rates on current federal and state tax law.

Tax laws that apply to retirement benefits change frequently. You should contact a tax professional for specific, up-to-date information about state and federal taxes.

Taxes on Refunds

The tax-deferred portion of a retirement lump-sum refund is subject to state and federal taxes. If you receive the refund, the IRS may assess a 10% penalty for early withdrawal. We will also withhold 20% for tax purposes if we send the refund directly to you. Taxable amounts for state and federal taxes may be differ-

ent. You may avoid paying the withholding tax by "rolling-over" the taxable part into an IRA or other qualified plan. Rolling over your refund also allows you to avoid the penalty. If you accept a lump sum payment, IRS rules allow you 60 days to reinvest or roll the refund over into a qualified plan. Be prepared to provide the IRS documentation of this reinvestment or roll-over to avoid paying the 10% penalty.

If you accept a lump sum payment, IRS rules allow you 60 days to reinvest or roll the refund over into a qualified plan.

Remember, when you receive the refund directly, we must withhold 20% for taxes. The amount withheld may or may not be enough to pay any tax or penalty you may owe. If the IRS assesses a penalty, you must pay it when you file your income taxes. You must provide documentation to the IRS of your reinvestment or "roll-over" of your refund, as described above, to avoid payment of the penalty.

You will receive a Distributions Form (Federal Form 1099R) for the refund. It will list the gross distribution, the taxable part, and any federal or state taxes withheld from the refund. The 1099R is an important document that you must keep for your tax records. We will not send you another 1099R at the end of the year. If you lose your 1099R, you can request a duplicate from us.

4. Assignment of Benefits

In very limited cases, including a Family Law Order (FLO), the court may assign your HPORS benefits to another person. A FLO must be a judgment, decree or order of a Montana court. It may give all or part of your payment rights to someone else. Courts from other states may also assign your benefit with a Support Obligation. Support Obligations must meet requirements similar to those for a FLO. (§19-2-907 and 19-2-909, MCA)

Your retirement benefit may not be assigned to another person under ERISA, a federal law governing private pension benefits; nor may a Qualified Domestic Relations Order assign your benefits to another person. However, the IRS may place a levy against your benefit for unpaid taxes.

Family Law Order (FLO)

A FLO may require the the HPORS to pay all or part of your benefit or refund to another person. That person is an alternate payee. A Montana court may issue a FLO for child or parental support, spousal maintenance, or marital property rights. The FLO may require that you pay an alternate payee a set sum or percentage of your benefit. For example, the FLO may require you to pay $500 per month until you pay a set sum of $12,000. Or, the FLO may require you to pay 50% of your monthly benefit for as long as you get a benefit.

A FLO may not require the HPORS to pay a type of benefit unless that benefit is available to you. Nor can a FLO require an amount or length of payment greater than payable to you. This means a FLO cannot require the HPORS to make any payments before you retire or take a refund. Also, it may not require payments that are more than the amount the HPORS may pay you. (§ 19-2-907 and 19-2-909, MCA)

5. For More Information

If you want an estimate of your benefit, or a cost statement for buying service, please contact us in writing. Any estimates you get from any other source may be wrong. The MPERA is not responsible for any information from other sources. You must contact us for application forms if you are considering service or disability retirement. You should instruct your beneficiaries to contact us in the event of your death. When you write to the MPERA, please include your full name, printed and signed; your Social Security Number; your return address; and daytime telephone number. Send your correspondence to:

MPERA
1712 9th Avenue
PO Box 200131
Helena MT 59620-0131

Or, send your questions or comments to our e-mail address:

mpera@state.mt.us

For updated information on the MPERA and to view publications on-line, visit our web site at:

http:www.state.mt.us/doa/perb/perb.htm

We invite you to call or visit the MPERA in Helena. Our office hours are Monday through Friday, 8:00 a.m. to 5:00 p.m, except on designated state holidays. You don't need an appointment for general questions; however, to discuss benefit estimates or cost statements, you should make an appointment at least 7 days in advance. Phone our office at 406-444-3154 or toll free, 877-275-7372. If our phone lines are busy when you call, you may have to leave a voice mail message. Be sure to leave your name, telephone number, and Social Security Number first, then a brief message.

NOTE: To avoid confusion, you should put in writing any questions requesting **specific details** about retirement options or service credit. We will give you a **specific written response.**

GLOSSARY OF TERMS

ACTIVE MEMBER - a member in a HPORS-covered job, making the required contributions, and properly reported for the most current reporting period.

ACTUARIAL COST - the amount determined by the Board which is due from the member to qualify or purchase service into the HPORS. The cost is based on actuarial rates derived from an annual evaluation.

ADDITIONAL CONTRIBUTIONS - a member's payments to purchase various types of optional service credit under an installment contract.

BENEFICIARY - the surviving spouse or dependent child is the statutory beneficiary. In the absence of a surviving spouse or dependent child, the person a member names to receive any survivorship benefits or lump-sum payments upon the member's death.

BENEFIT - a service or disability retirement or survivorship provided by the HPORS.

COMPENSATION - a member's salary before any pretax deductions allowed by the Internal Revenue Code are made.

CREDITED SERVICE or SERVICE CREDIT - the periods in which you contribute the required money to the HPORS. The MPERA uses service credit to calculate the amount of your benefit. If you work 160 hours or more in any month, you get 1 month of service credit. If you work less than 160 hours, you will receive credit for a partial month. For example, if you work 80 hours, you receive ½ of a month of service credit.

DEPENDENT CHILD - A child of a deceased member who is unmarried and under 18 years of age, or who is unmarried, under 24 years of age, and is a full-time student enrolled in an accredited postsecondary educational institution.

DISABILITY - total physical or mental incapacity of a member to do the essential functions of the member's job. You must become disabled while an active member, and it must be permanent or of an extended or uncertain period.

FAMILY LAW ORDER (FLO) - an order from a Montana court that may assign all or part of a participant's payment.

FINAL AVERAGE SALARY (FAS) - the member's average monthly compensation received for any three years of continuous service. Lump-sum payments for severance pay, sick leave, and annual leave may not be added to a single month's pay. Your FAS may include termination payments, but only if they replace regular pay on a month for month basis.

FISCAL YEAR - the 12-month period starting July 1 and ending the following June 30.

INACTIVE MEMBER - a member who ends HPORS-covered employment and does not withdraw his or her HPORS account.

LUMP-SUM PAYMENTS - amounts, which may include interest, that are payable instead of monthly benefits.

MEMBER - any person with contributions and service on account with the HPORS. Persons receiving retirement benefits based on previous service credit are also members.

MEMBERSHIP SERVICE or YEARS OF SERVICE - the periods of service used to decide vesting and eligibility for retirement or other benefits. You get 1 month credit for any month you contribute to the HPORS. Even if you only work one day during that month. If you contribute anything, you get credit for the whole month.

MINIMUM RETIREMENT DATE - the first day of the month coinciding with or, if none coincides, the date on which a member both completes five years of membership service.

PART-TIME EMPLOYMENT - any month during which the employer pays the member for less than 160 hours.

PARTICIPANT - a member, beneficiary, survivor, or contingent annuitant who is receiving, or may receive, a benefit or payment from the HPORS.

REFUND - a withdrawal of all the money in a member's HPORS account. By taking a refund, the member gives up all rights to any other benefits from the HPORS.

REGULAR CONTRIBUTIONS - the payments an active member must make to the HPORS. The payments are a percentage of the member's monthly pay and are tax-deferred.

REGULAR INTEREST - the payments made to a member's account at rates set by the Board. This interest is tax-deferred. Also, the amount charged to buy service on a monthly payment plan. These rates may not be the same.

RETIREMENT BENEFIT - the monthly payment to a member, for life, following service or disability retirement.

RETIREMENT or RETIRED - the status of a member who ends active service and receives a monthly benefit.

SERVICE - employment of an employee in a position covered by a retirement system.

SURVIVING SPOUSE - the spouse married to a member at the time of the member's death.

SURVIVOR - a surviving spouse or dependent child of the member.

VESTED MEMBER or VESTED - the status of a member with at least 5 years of membership service. A vested member is entitled to retirement when they meet the minimum service or age provision.

Alternate Accessible Format

The MPERA will provide alternative accessible formats of this document upon request. Persons with disabilities, who need an alternative accessible format of this information, should contact us.

Write to:

Attn: Lucie Willson
MPERA
PO Box 200131
Helena, MT 59620-0131

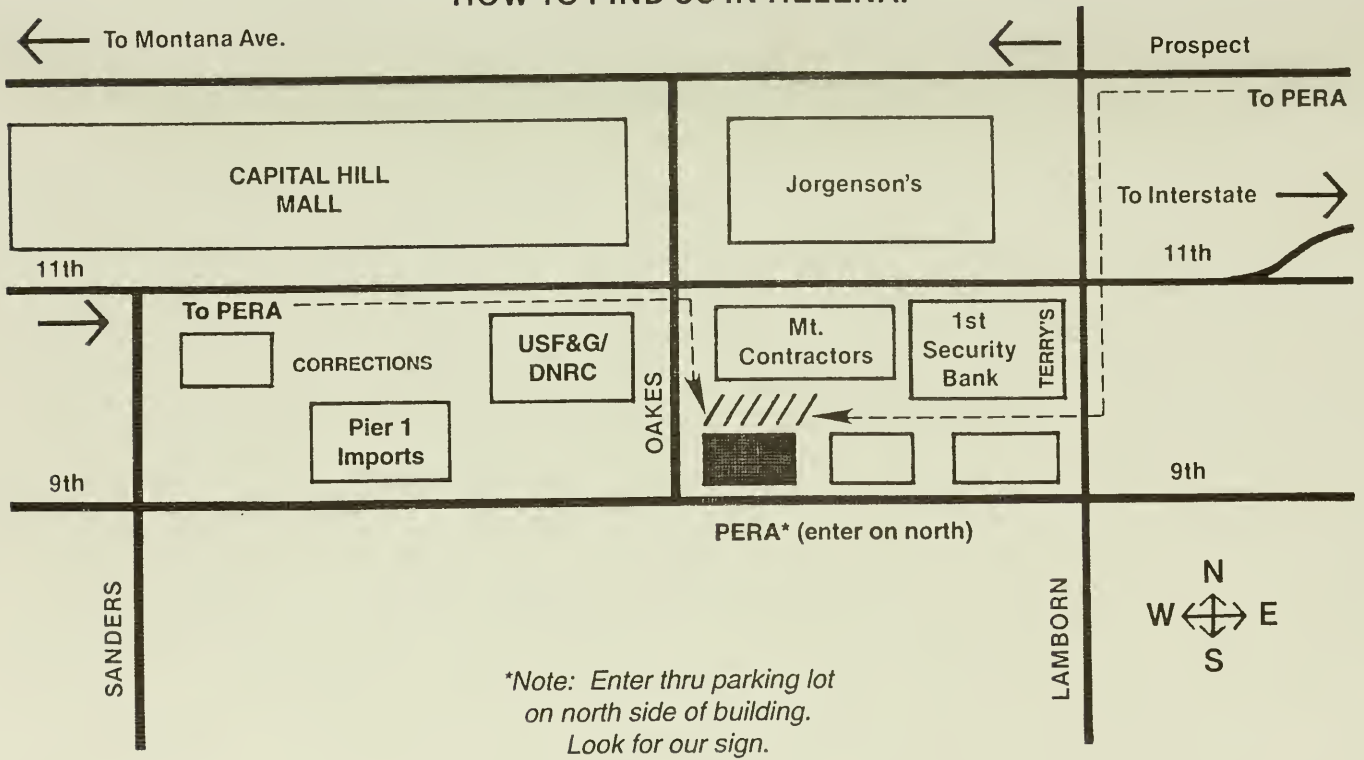
You May Contact the MPERA at:

Telephone: 406-444-3154
Toll Free: 877-275-7372
Fax: 406-444-5428
e-mail: mpera@state.mt.us

For more information, contact:

Department of Administration
Personnel Service Section
Phone: 406-444-3871
TDD no. 406-444-1421.

HOW TO FIND US IN HELENA:



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